UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Adjustment Administration
Washington, D. C.

ADJUSTING COTTON PRODUCTION

I. THE PROBLEM

Question 1. Was there a burdensome supply of cotton on hand when the Agricultural Adjustment Act was signed by the President on May 12, 1933?

Answer. Yes. In August 1932, the world carry-over of American cotton was 13,000,000 bales, and the production that year was 13,000,000 bales, which gave a total world supply of 26,000,000 bales of American cotton. A total of 15,800,000 bales of American cotton is the most ever used in one season.

Question 2. What effect did these excess supplies have on the price of cotton and the purchasing power of farmers?

Answer. The price paid to cotton producers in 1932 averaged only 5.7 cents a pound and during that season declined to as low as 4.6 cents per pound, and a bale of cotton would buy less than half as much of the goods which farmers have to buy as a bale bought in the period from 1909 to 1914. The farmer could buy less industrial products and therefore people in industry were thrown out of work. Industrial workers in turn were unable to buy the customary amount of cotton goods.

Question 3. Did the prices of things the farmer buys go down in proportion to the prices received for things he sells, including cotton?

Answer. No. The farmer had to sell his cotton on a low price level and buy supplies on a higher level of prices. Therefore, farm prices, including those of cotton, were "below parity." Such a disadvantage to the Cotton Belt, which contains a third of the population of the United States, obviously needed immediate correction to prevent a disastrous economic collapse.

Question 4. Why was it impossible for each producer to solve his problems individually?

Answer. Secretary of Agriculture Henry C. Wallace, father of the present Secretary, described in an article in The Journal of Farm Economics in January 1924, why farmers acting individually cannot achieve and maintain a balance between supply and effective demand. He said: "In times such as these the problems of farm management on most farms are reduced to the simplest terms and can be stated very briefly. For example: Produce as much as you can and as cheaply as you can of what you can produce best; spend as little as you can; do without everything you can; work as hard as you can; make your wife and children work as hard as they can. Having done this, take what comfort you can in the thought that if you succeed in doing what you set out to do, and if most other farmers also succeed, you will have produced larger crops than can be sold at a profit and you will still be under the harrow. Nevertheless, the average farmer is forced by unhappy circum-

stance to adopt exactly that policy. It is not good for the farmers, not good for the farmer's wife and children, not good for the Nation."

In other words, without some effective method of adjusting total production, the individual was forced to produce every pound of cotton possible, regardless of the fact that he would share in the general disadvantage of glutted markets and low prices.

II. 1933-34 COTTON PROGRAM

Question 5. What are the characteristics of the Cotton Adjustment Program thus far?

Answer. It is a voluntary cooperative effort on the part of the producers and the Government to improve the economic status of cotton producers by adjusting supplies of cotton to demand and maintaining balance between supply and demand.

Question 6. What are the aims of the Cotton Adjustment Program?

Answer. To get for each individual producer a reasonable return on his capital and labor used in cotton production; to regulate total supply of cotton available to meet domestic demands, and with large surpluses removed, to provide for as large a supply of cotton for export as can be sold at reasonable prices and to insure a safe carry-over to meet ordinary demands and also for emergency or unexpected demands.

Question 7. Is this the first effort on the part of producers to adjust supplies to demand?

Answer. No. Campaigns were carried on in 1905, 1915, 1921, and 1927, in the hope that reduction in acreage would bring about necessary adjustment in supplies. These campaigns were conducted by individual farmers and farm groups without Federal Government participation.

Question 8. Were these campaigns successful?

Answer. The acreage reduction goal was not reached in any case, although some reductions were brought about. The earlier campaigns might be called partly successful experiments. Features of the present program were either suggested or actually tried out in some of these earlier production control efforts.

Question 9. Is the Cottom Adjustment Program necessarily a reduction program?

Answer. No. The program is designed to provide for either reduction or expansion of supplies, whichever is needed to meet demands. The record supply of 26,000,000 bales for the seasons of 1931-32 and again in 1932-33 made it necessary that the program for the last 18 months be one of reduction. There probably will be years when further expansion of acreage will be just as desirable as was acreage reduction in 1933 and 1934. Adjustments will always be made with the view of maintaining a balance between supply and demand.

III. HOW THE PROGRAM WAS CARRIED OUT

Question 10. What was the first step in the 1933-34 program?

Answer. The first step was the enactment by Congress in May 1933 of the Agricultural Adjustment Act. The purpose of this Act was to establish and maintain a balance between the production and consumption of agricultural commodities and to bring about a balance between the prices of the things farmers sell and things farmers buy.

Question 11. What feature of the 1933 and 1934 cotton-adjustment programs has made it profitable for the individual producer to take part in the program?

Answer. In the earlier attempts to control cotton production, farmers who did not cooperate increased their acreage and profited from price increases which had been made possible by the cooperators' acreage reduction. Nonparticipation of large numbers of growers undermined the earlier attempts. Cooperating producers were forced gradually to abandon their plans and return to unrestricted production. The Agricultural Adjustment Act provides for rental and parity payments to compensate the cooperating producer for making his acreage adjustment. This device identifies the individual grower's interest with that of the whole group and makes his cooperation pay him, both directly through payments and indirectly through sale of his crop for the higher price which adjustment brings.

Question 12. Do these payments have any purpose other than compensating farmers for the adjustment they make in the cotton acreage?

Answer. Yes. Besides making it possible through rental payments to obtain a reduction in acreage without sacrifice on the part of the grower, these payments also contribute to the farmer's return for the cotton he produces. The parity payments and, in part the rental payments, should be considered as much a part of the farmer's price as the price he receives on the open market.

Question 13. What part did the passage of the Bankhead Act play in the 1934 program?

Answer. The Bankhead Act, enacted by Congress April 21, 1934, provided for a tax of 50 percent of the average price of all cotton marketed in excess of ten million 500-pound bales. The purpose was the same as that of the Cotton Adjustment Program, and the method was supplementary to methods provided by the Adjustment Act. The Bankhead Act, with its tax provisions, undoubtedly influenced producers who otherwise might have withdrawn from the program under the Adjustment Act. The Bankhead Act discouraged producers who had not signed contracts from expanding their acreage so as to profit by the reduction made by other producers. Thus the Bankhead Act made it more certain that the desired reduction in national cotton production would be obtained in 1934.

Question 14. Where does the responsibility for administration of the cotton program primarily rest?

Answer. The administration is primarily local, resting upon the community and county committees chosen by the cotton producers.

IV. RESULTS OF THE PROGRAM

Question 15. What change in total supply of American cotton has been brought about?

Answer. There was an actual supply of 26,000,000 bales in each of the 1931-32 and 1932-33 cotton seasons. Until about 4½ million bales were plowed up in 1933, there was a prospective supply for 1933-34 of about 29,000,000 bales. With the adjustment program, this very large prospective supply was reduced to an actual supply of 24,800,000 bales for the 1933-34 season, and this year's supply is 21,100,000 bales.

Question 16. What change in price has been brought about by the cotton and other recovery programs?

Answer. The Cotton Adjustment Program has contributed to raising the price paid farmers for their cotton from an average of 6.5 cents per pound for the 1932-33 season to an average of 9.7 cents for the 1933-34 season and to 13.1 cents per pound September 15, 1934. The cottonseed price averaged $31.54 per ton on September 15, 1934, compared with $11.28 on September 15, 1932, and $12.11 on September 15, 1933. Of course the drought had been a factor in the price rise, especially in cottonseed, and the Government's monetary policy has helped lift farm prices, including that of cotton.

Question 17. What changes have occurred in the total farm value of cotton and cottonseed since the adjustment program has been in effect?

Answer. The farm values of the cotton crop, including lint and cottonseed, for the last 3 years are as follows:

Crop Year	Value Lint	Value Seed	Total Farm Value
1932...............	$424,032,000	$ 59,880,000	$483,912,000
1933..................	633,266,000	83,741,000	717,007,000
1934 1	618,516,000	141,456,000	759,972,000

1 Based upon prices received by producers September 15, 1934.

Question 18. What contribution to cotton producers' income has been made by rental and benefit payments?

Answer. The rental payments and 1933 option profits (based on 1934 prices) amounted to $163,090,258 for 1933. The rental and parity payments in 1934 amount to $116,505,809.

Question 19. What changes have been brought about in the total value to cotton producers as a result of increased prices for cotton and cottonseed and rental and benefit payments?

Answer. Changes in total value are shown below:

Crop Year	Farm Value	Rental, Parity Payments, and Option Profits	Total Value
1932	$483,912,000	None	$483,912,000
1933	$717,007,000	[1] $163,090,258	$880,097,258
1934 [2]	[3] $759,972,000	$116,505,809	$876,478,000

1 The option profits thus far, of about 53 million dollars are included in this item.
2 Based on October 1 crop report.
3 Based on prices received by producers September 15, 1934.

Question 20. What acreage has been released from cotton production and made available for growing food and feed crops as a result of the Cotton Adjustment Program?

Answer. From 40,852,000 acres in cotton on July 1, 1933, the acreage has been reduced to 27,241,000 in 1934. This freed 13,611,000 acres of land from cotton for production of food and feed crops, and practically all of this was so used. One survey in eight cotton-producing states indicates that only 2 percent of the rented acres were idle after May 29, 1934.

Question 21. In what way does the cotton adjustment program afford growers protection when crops fail?

Answer. Rental and parity payments are made on the basis of past averages of acreage and production. Hence the amount paid is not affected by crop failure in the year's production on which they are paid. Therefore, these payments provide a form of crop insurance in time of crop failure. Rental and benefit payments under the Adjustment program and the sale of cotton tax exemption certificates under the Bankhead Act provide sources of cash income for growers whose crop has been severly reduced or destroyed by drought or other natural causes.

V. SHOULD ADJUSTMENT BE CONTINUED?

Question 22. Will the problems that faced cotton growers in the spring of 1933 recur unless adjustment measures are continued?

Answer. With no assured means for maintaining balanced production and improved income, two million individual producers would be under the same pressure as they were prior to 1933 to look to volume production as the chief factor in income, with less regard for price. Many cotton farmers feel that this would result in an acreage in 1935 much larger than the acreages of 1933 and 1934, and that the increase would be likely to bring about another excessive supply, low prices, and reduced income.

Question 23. Can control of production alone assure the cotton producer of a satisfactory level of income?

Answer. No. There are definite limitations on the influence of

production control on producers' incomes. Chester C. Davis, Administrator of the Agricultural Adjustment Act, said in a recent address: "All farmers must realize that there are limits beyond which the reduction of production cannot succeed as a method of agricultural recovery. When supplies have been brought into line with effective demand, the farmers must look to further increases in the purchasing power of consumers if their gross income is to be further restored."

Question 24. What are some of the limitations on the control of cotton production?

Answer. The necessity for continuing adjustment rests upon the fact that it is necessary to prevent new surpluses. With total cotton supplies nearer normal levels, the cotton producer must look more and more to the revival of industrial production, and the revival of world trade, at the same time balancing his production to the requirements of his market. Domestic cotton consumption rises and falls with industrial production. It is upon the resumption of industrial activity that the maintenance of the normal market for 40 percent of the cotton farmers' crop depends. Foreign consumption of American cotton will depend, to a greater degree than heretofore, upon the volume of imports purchased in this country from foreign cotton customers.

Question 25. What additional information should producers have and understand?

Answer. They should know the United States cotton situation; the foreign cotton situation; the United States and foreign outlook for cotton; the purposes and aim of the processing tax and the justification for such a tax.

For more detailed information see your committeeman, teacher of vocational agriculture, or county agent.

THE COTTON PROCESSING TAX

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Adjustment Administration
Washington, D. C.

I. WHAT THE PROCESSING TAX IS

Question 1. What is the processing tax on cotton?

Answer. The cotton processing tax is a tax paid upon the act of converting raw cotton into consumers' goods.

Question 2. Why are processing taxes levied?

Answer. To provide funds for making payments to farmers cooperating in Agricultural Adjustment programs.

Question 3. Who pays the tax and how much is it?

Answer. In the case of cotton, the tax is passed on to consumers and borne by them as part of the price of cotton products sold to them. The Adjustment Act provides that the rate of tax shall be determined on the basis of the difference between the fair exchange value of cotton (exchange value, 1909-14) and the average farm price of cotton as of the date the tax becomes effective.1/ This rate is 4.2 cents per pound net weight.

Question 4. Does the processing tax put an undue burden on consumers?

Answer. No; to say that the consumer cannot bear the burden of the cotton processing tax would be to say that consumers cannot bear the burden of cotton prices that are in line with prices of other commodities.

Question 5. How much revenue is raised by this tax?

Answer. Actual receipts to June 30, 1934, were $154,002,063.22.

Question 6. What use is made of the funds collected from the processing tax?

Answer. The funds derived from the processing tax have been and will be used for rental and parity payments incident to the 1933 and 1934-35 cotton adjustment programs.

Question 7. Why is the processing tax preferred to other revenue-raising measures?

1/ Section 9 (b) of the Agricultural Adjustment Act.

Answer. It has been found to work; is easy to collect; is small per person, averaging less than $1 per capita annually; is flexible because if it is found that the full rate of tax will reduce consumption and increase the surplus of cotton, or depress the farm price of cotton, then the processing tax must be at a rate that will not have these effects.2/

Question 8. What does the tax amount to on certain manufactured articles?

Answer. The average amount of tax paid is about 8 cents per sheet: 3-1/2 cents per work shirt; 8-1/4 cents per pair of overalls; and slightly over 1 cent per yard of unbleached muslin.

II. WHY A PROCESSING TAX ON COTTON?

Question 9. What is the justification for asking that the consumer of cotton bear the processing tax?

Answer. The consumer is merely being asked to pay a fair price for cotton products with a view to raising to a fair level the purchasing power of the cotton producer. For years the cotton farmer was forced to sell cotton so cheaply that he destroyed his power to buy goods produced by others. This undermined national economic well-being, and injured consumers generally.

Question 10. Has the processing tax similarities to the tariff?

Answer. Yes. Prior to the enactment of the Agricultural Adjustment Act, farmers had to sell cotton on an unprotected world market while buying many goods they need on a domestic market protected by tariffs. The processing tax through rental payments and parity payments now gives cotton growers some protection in the domestic market. The increased cost of goods caused either by the processing tax or by the tariff is borne by the consumer. While the tariff is for the protection of industry, the processing tax is for the protection of agriculture.

Question 11. Would the reduction program have been possible without serious injury to growers if no processing tax had been put into effect and if there had been no rental and parity payments?

Answer. No. Cotton producers individually could not afford to take a sufficient amount of land out of cotton production without some compensation in addition to the increase in the price of cotton that resulted from the adjustment program.

Question 12. How is the cotton adjustment program financed?

Answer. The cotton adjustment program is designed to pay its way as it goes, with funds collected through the processing tax.

2/ Section 9 (b) of the Agricultural Adjustment Act.

III. EFFECTS OF THE PROCESSING TAX

Question 13. Does the processing tax lower the price paid the producer for cotton?

Answer. No. The nature of the demand for cotton is such that consumption is not particularly altered by the existence of the tax and therefore the tax does not materially affect the price. Moreover, the price of cotton is fixed on the world market and not entirely by the supply of American cotton or our domestic consumption. It is evident therefore that inasmuch as the American price and the price of other growths of the same staple, grade, and quality not subject to the tax are approximately the same, the tax cannot have material influence on the market price.

Question 14. What provision is made to prevent the tax from cutting down the use of cotton in the manufacture of cheap products?

Answer. The act provides that if it is found that the tax cuts down the use of cotton in the manufacture of low-value products, the tax on cotton for that use may be suspended.[3] This has already been done in the case of large-sized cotton bags.

Question 15. Has the payment of the processing tax on cotton caused excessive shifts to competing commodities, such as jute, paper, rayon, or wool?

Answer. No. The Secretary found that such shifts would occur between certain cotton and paper and jute products unless a compensating tax on the processing of those products was imposed. Pursuant to these findings compensating taxes went into effect on paper and jute under the provision of the act which provides that compensatory taxes become effective upon the first processing of a competing commodity when it[4] is found that the payment of the processing tax is causing or will cause excessive shifts in consumption of cotton or products of cotton.

Question 16. Does the processing tax affect the volume of exports of manufactured cotton goods?

Answer. No. The amount of processing tax is refunded upon goods exported.

Question 17. What is Secretary Wallace's opinion of the processing tax?

Answer. Secretary Wallace recently said: "To all intents and purposes the processing tax is the farmers' tariff. It is the only effective form of tariff for producers of export crops, prices for which are determined on a world market. If America is to remain on a highly protectionist basis,

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3/ Section 15 (a) of the Agricultural Adjustment Act.
4/ Section 15 (d) of the Agricultural Adjustment Act.

therefore, the processing tax form of tariff protection, or its equivalent, would seem to be no more than just."

"* * * If no substitute is provided, and foreign purchasing power has not been increased by reduced tariffs, I am very much afraid that farm products within 3 years will be down again to a point where they will buy only half as much city products as they should buy in order to give this country a balanced prosperity. No one wants a repetition of 1932."

FOR MORE DETAILED INFORMATION SEE YOUR COUNTY COMMITTEEMAN, COUNTY AGENT, OR VOCATIONAL AGRICULTURE TEACHER

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Adjustment Administration
Washington, D. C.

FOREIGN COTTON PRODUCTION AND THE AMERICAN MARKETS ABROAD

I. FOREIGN COTTON PRODUCTION

Question 1: How many foreign countries grow cotton?

Answer: More than 50 countries produce cotton to some extent. Cotton growing is an established part of the agriculture of Egypt, India and China. The history of cotton in India goes back to 800 B. C., more than 2,000 years before the discovery of America.

Question 2: What are the principal foreign cotton-producing countries?

Answer: India, China, Russia, Egypt and Brazil.

Question 3: Do all foreign producing countries export cotton?

Answer: India and Egypt are the principal exporting foreign countries. Brazil exports some. Russia and China export little and import some.

Question 4: How much cotton do foreign countries produce?

Answer: The highest foreign production in any one year is 13,000,000 bales in the 1933-34 season. In the highest previous year, 1928-29, about 12,400,000 bales were produced. The lowest production in the last 5 years was 10,405,000 bales in 1931-32.

Question 5: Has acreage in foreign countries expanded rapidly?

Answer: No. Both production and consumption in foreign countries have been slowly expanding for generations. A part of the recent apparent increased acreage in Russia was a return to cotton growing that followed the decrease during the World War. Egypt also recently has been returning lands to cotton production, following relaxation of legal restrictions on cotton acreage.

Question 6: Was the increase in foreign acreage in the 1933-34 season due to decreased supplies of American cotton?

Answer: No. The foreign acreage increase for the 1933-34 season was planted in a year in which supplies of American cotton rose to 26 million

bales, exceeding any supply on record prior to 1932-33. When the increased foreign acreage was planted, American cotton was selling for 6.5 cents per pound. Foreign acreage increased in the 1933-34 season to more than four million acres over that of 1932-33.

Question 7: Was the increased acreage in foreign countries in the 1933-34 season due to the plow-up campaign in the United States?

Answer: On the contrary, most of it was either planted or planned before the plow-up campaign was contemplated. Foreign producers increased, as did American producers, because as prices declined cotton farmers everywhere were forced to increase their volume in an attempt to maintain income. Low priced cotton in the 1930-31, 1931-32, and 1932-33 seasons therefore did not cause foreign countries to decrease their production in any material degree.

Question 8: Will there be a large supply of foreign cotton for the 1934-35 season?

Answer: Yes. The carryover of foreign cotton for the 1934-35 season probably will be the largest in history and 1934 production in foreign countries probably will be near record levels.

Question 9: Why is the foreign cotton market vital to the American cotton grower?

Answer: Because normally about 60 percent of the American cotton crop is sold in foreign markets.

Question 10: Are American producers of cotton willing to enter into competition on a price basis with foreign cotton producers if this appears necessary to maintain world markets for American cotton?

Answer: In determining the answer to this question, cotton producers should consider the probable social cost involved in an international price competition for foreign markets. Starvation prices and low income from cotton have not always in the past prevented increases in foreign cotton production. Foreign producing countries increased cotton production even when American cotton was selling at from 5 to 6 cents per pound.

Question 11: If cotton producers are assured of a parity return on about 40 percent of their crop under the terms of the Agricultural Adjustment Act, should the remainder be sold on the basis of price competition in the world market without regard to controlled production?

Answer: It is possible under the Agricultural Adjustment Act to assure producers a fair price for that portion of their cotton that is domestically consumed. If control were relaxed, there is, however, the added possibility of undue expansion of acreage within the United States that would increase world supplies and create a situation in which stocks of American cotton might be even greater than the record supplies of 26 million bales in 1931 and 1932. Moreover, if all the cotton that the foreign consuming centers could use were offered at a price which they were willing

to pay, the ability of these foreign customers to purchase American cotton still would be limited by the amount of American exchange they could obtain. Therefore, the American cotton farmer would not have the assurance that all the cotton he produced for world markets could be sold.

Question 12: How may producers be assured of a fair return on the 40 percent of their crop that ordinarily moves into domestic consumption?

Answer: The Agricultural Adjustment Act, with its processing tax device, affords a mechanism whereby cotton farmers may receive payments representing the difference between the market price and the fair exchange or parity value on that portion of the cotton crop that is consumed domestically. The level of domestic consumption of cotton is closely related to the level of industrial production, and both depend upon consumer purchasing power.

Question 13: What countries are the largest buyers of American cotton?

Answer: England, Japan, Germany, France and Italy.

Question 14: Do these countries product cotton?

Answer: Not within their own boundaries. Although India and Egypt are closely associated with the British Crown, England's commercial relationships with these cotton-producing countries do not indicate any marked trade preference for Indian or Egyptian cotton. As a matter of fact, England ordinarily consumes more American cotton than the combined total sold her by all other countries.

Question 15: What is to prevent England, Japan, Germany, France and Italy from maintaining, in the future, their customary purchases of American cotton?

Answer: The supply of American cotton is ample to meet their usual requirements. The price is not so high as it has been when these countries purchased large quantities of American cotton in the past. For example, England purchased more than two million bales of American cotton annually, from the 1924-25 season through the 1926-27 season. The price averaged more than 18 cents per pound for the three seasons. The quantity of American cotton these countries will take during the current season or during future seasons appears to be limited, not primarily by price or production policies of the United States, but by the quantity of goods purchased from these countries by America. If they are to buy American cotton, these countries must obtain dollars with which to pay for it. Unless they can obtain dollar exchange, these countries are compelled to buy from countries with which they have favorable exchange balances. This situation becomes increasingly important to the American cotton producer because of the large supply of foreign cotton. One economist in the cotton trade recently said that world markets are being lost to American cotton producers "not because the high price of cotton encourages foreign cotton production, but because foreign consumers can no longer obtain dollars with which to pay for United States produced cotton".

II. TRADE POLICIES AFFECTING COTTON

Question 16: Will trade policies of other countries influence the amount of American cotton exported?

Answer: Under a trade agreement between India and Japan, Japan buys annually 1-1/2 million bales of India's cotton in return for permission to sell 400 million yards of cotton piece goods to India. This represents, for at least the amount of Indian cotton that will be substituted for American cotton, a foreign market closed to cotton producers of this country, irrespective of any production policy in the United States. A Japanese boycott on Indian cotton ended when Japan entered into this agreement.

Germany has been unable to obtain sufficient trade balance to buy customary cotton supplies and has placed a restriction on imports, which would amount to a decrease of 500,000 bales of cotton a year. Germany is seeking trade agreements to overcome this.

In the 1933-34 season, Germany consumed more than one million bales of American cotton, or about 8 percent of the total American crop. Recently representatives of the German cotton importers have been in the United States, seeking some means of increasing their country's exports to the United States in order to obtain dollar exchange with which to pay for American cotton. These representatives stated that German purchases of American cotton probably would decline more than 50 percent unless Germany is permitted to sell more products to the United States. Meantime, Germany is engaged in an extensive development of synthetic fibers. Unless German spinners are able to obtain American cotton, these fibers may be permanently substituted for uses which formerly required quantities of American cotton.

Poland and Italy are reported to be seeking trade agreements with other cotton producing countries whereby they can exchange goods or services for cotton, Brazil and China have tariffs on cotton. Brazil also has had a plan of granting advantage in foreign exchange to cotton for export, which is equivalent to an export bounty.

Official and semi-official British agencies have stimulated cotton growing in India, Egypt, the Sudan, and Australia by various financing and other plans, and probably will continue to do so regardless of the kind of cotton adjustment program that is undertaken in the United States.

III. THE PRODUCTION OUTLOOK IN FOREIGN COUNTRIES.

Question 17: What is the outlook for increased acreage in the principal cotton producing countries?

Answer: The situation in five countries is described in the following paragraphs:

INDIA: Cotton acreage in India has ranged from 11,835,000 acres in 1899 to 28,403,000 acres in 1925. A good many sections of India, which now produce food for their own needs, might plant larger acreages in cotton and then import food if better transportation facilities were available and if the

price of cotton warranted increases in its production. The lack of adequate transportation is a major handicap to such a course.

Better farming and ginning machinery would increase yields and would also tend to increase acreage. However, in India there are in cultivation less than 1.5 acres per capita, as compared to 3.4 acres per capita in the United States. Food shortage is a constant threat. The Indian farmer is forced to provide his own food. With the slow development of agricultural methods, planting more cotton would mean producing less food for India's millions.

The fact that India's acreage has remained about four million acres below the peak of 1925 is evidence that Indian farmers see no incentive for increasing their cotton acreage. A given acreage increase in India is less significant than the same change in acreage in the United States because the average yield of lint cotton per acre is only about 80 pounds in India as compared with an average of about 170 pounds in the United States. Some parts of India, principally in the north, depend on irrigation almost entirely in cotton production. India planted a somewhat larger cotton acreage in the 1913-14 and 1914-15 seasons than in the 1933-34 season.

EGYPT: During the last 40 years, Egypt's annual cotton acreage has fluctuated between 1,036,000 in 1895 and 2,162,000 acres in 1930, or by more than one million acres.

In 1932 the acreage was 1,135,000 while the 1933 acreage increased to 1,873,000 or by about 65 percent. The increase in Egyptian acreage in 1933 may be attributed largely to modification of Egyptian laws restricting cotton acreage. These modifications were made before the United States 1933 cotton program was contemplated. The fluctuations indicate that within certain limits the Egyptian farmer can and will shift his cotton acreage when conditions seem to justify. However, with the present system of rotation and under the most favorable conditions, the past cotton acreage has only twice exceeded two million acres. An important factor in Egyptian production is a current shift by farmers in Egypt from long-staple varieties to higher-yielding but shorter-stapled varieties similar to those grown in the Mississippi Delta. The yield of Egyptian cotton averaged 410 pounds of lint per acre in the period from 1928 to 1932 inclusive.

On the basis of past conditions, the 2,162,000 acres planted in 1930 would seem at present to be about the practical limit of the Egyptian cotton area. Planting more acreage would be at the expense of food and feed crops and would not be generally practiced by farmers of that country without extensive changes in their present economic arrangements.

To establish permanent acreage beyond the apparent limit of Egypt's present cotton area would require reclaiming a part of the two million acres of waste land by extension of the Egyptian irrigation and drainage system. Reclaiming the entire waste area would require 25 years and would cost more than 200 million dollars. Low cotton prices discourage such expenditures for expansion.

RUSSIA: Russia planted 4,843,000 acres to cotton in 1934, or a fraction of 1 percent less than in 1933. Cotton acreage in Russia has shown little response to world supplies and prices.

Cotton production in Russia is handicapped because the majority of her spindles are 1,500 to 2,500 miles from the Russian cotton-producing area. Also Russia's cotton program has forced the government to transport foodstuffs about 1,000 miles to the cotton area, with inadequate transportation facilities. A considerable amount of the Russian crop is produced under irrigation, and with a short growing season. These factors limit future cotton production in Russia.

There is some indication that Russia may again become an extensive importer of cotton. The Russian government has announced a plan for providing the people with more clothing in the near future. Present Russian consumption is 5 pounds of cotton per capita per year. The United States annually uses more than 24 pounds per capita. It has been reported that three million new cotton spindles will be installed in Russia by the end of 1934. Any future increase in Russian cotton production probably will be offset by increased per capita consumption.

CHINA: China has a considerable acreage suited to cotton production, and has an abundance of labor. But China is handicapped seriously by lack of adequate transportation, which makes the marketing of cotton difficult since many isolated areas must grow their own food and feed supplies.

Nevertheless cotton acreage in China has increased. More than six million acres were grown in 1933, and the estimated increase in acreage in 1934 is nearly 10 percent. The increase in acreage has been gradual and future expansion apparently also will be gradua.

Reports indicate that the 1934 crop will show an increased proportion of short-staple cotton. An effort toward production of medium staple varieties is being made.

BRAZIL: The cotton-growing region of Brazil is divided into two well defined areas, southern and northern. In the southern area American upland cotton is grown almost exclusively and it is there that production has increased rapidly in recent years. Production in southern Brazil was 228,000 bales in 1924-25, but gradually decreased to 45,000 bales in 1928-29. From this low point the production from this area increased to over 500,000 bales in 1933-34. The total production of Brazil for the 1933-34 season is approximately 1,000,000 bales.

Sao Paulo is the leading cotton-growing state in the southern area of Brazil. Many unoccupied localities with favorable cotton climate, soil, and topography, are available there. The area is similar to the Piedmont area of southeastern United States.

Several factors limit possibilities of immediate rapid expansion of production in Brazil.

Coffee is the chief cash crop of southern Brazil. Cotton competes directly with the coffee crop. When cotton prices are high in relation to coffee prices, the acreage of cotton will increase. Available labor supplies at present seem insufficient to produce large crops of both cotton and coffee simultaneously. Any improvement in coffee prices would tend to restrict cotton acreage, and continued low relative coffee prices would stimulate cotton growing.

Conditions in the northern area differ greatly from those in the souther area. Brazilian tree cotton is grown on most of the cotton acreage of the northern area. This cotton lives from 7 to 10 years but the yield in any one season depends largely on the rainfall. This area is semi-arid. When rainfall in January and February is adequate, increased acreages are planted and old plantings are cleared up and cultivated. Uncertainty of rainfall and scarcity of labor are factors limiting increases in cotton in northern Brazil.

THE SITUATION SUMMARIZED

Summarizing the foreign production and market outlook, the following conclusions are emphasized:

1. American cotton farmers have natural advantages for cotton production which are not now equalled anywhere else in the world.

2. American growers' economic stake in foreign markets is vital because nearly 60 percent of their crop ordinarly is sold abroad.

3. Abandonment of American production and price control measures and the probability of recurrence of 1932-33 price levels for the entire crop would not assure the maintenance of foreign markets for American cotton.

4. Maintenance of foreign markets for American cotton primarily is dependent upon the ability of foreign cotton consuming countries to purchase and pay for United States exports of cotton. Related factors include: (1) The level of business activity abroad; (2) shifts in textile activity from Europe to the Orient; (3) the price and supply of American cotton relative to the prices and supplies of foreign cottons; and (4) trade agreements among other nations, and exchange restrictions.

5. The ability of foreign customers to buy and pay for American cotton depends in a greater degree than ever before upon the amount of goods and services that this country will accept from them in exchange.

6. Foreign countries which are unable to sell goods and services to the United States are either (1) turning for their cotton to other cotton exporting nations which will accept imports, (2) seeking to develop their own production of cotton or cotton substitutes, or (3) enforcing outright restrictions on total imports.

7. The American cotton farmers' future income depends, first, upon production control to avoid piling up new surpluses and to maintain fair prices; second, upon increased buying power of American consumers, and, third, upon revival of foreign trade with the United States.

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Adjustment Administration
Washington, D. C.

AMERICA'S COTTON-PRODUCTION PROBLEM FOR 1935

I. SUPPLY OF AMERICAN COTTON, 1934-35 SEASON

Question 1. What is the carry-over of American cotton for the 1934-35 season?

Answer. On August 1, 1934, the world carry-over of American cotton was 10,634,000 bales.

Question 2. Is this a large or small carry-over compared with past supplies?

Answer. This is the third largest carry-over of record, and was approximately 4 million bales larger than the average for the 14 years ending with 1933-34.

Question 3. Is it smaller than the burdensome carry-overs of the two previous seasons?

Answer. Yes; but it is still very large, being only about 2,300,000 bales smaller than the enormous carry-over on August 1, 1932, of 13,000,000 bales, which was the largest in history.

Question 4. How much will this cotton on hand be increased by this year's crop?

Answer. On October 1, 1934, this year's cotton production was estimated at 9,443,000 bales.

Question 5. Is this a large or small crop compared with past crops?

Answer. It is the smallest crop since 1921-22, and one of only three crops that have fallen below 13 million bales since 1920-21.

Question 6. Isn't the small crop due to the drought?

Answer. Only in part, because the 27,200,000 acres grown this year was also the smallest acreage since 1920-21.

Question 7. Adding the carry-over on hand August 1 to the new crop, what is the total or world supply of American cotton for the 1934-35 season?

Answer. About 20 million bales.

Question 8. Is this large or small compared with past supplies?

Answer. The average for the past 14 years has been about 20 million bales. The current supply is adequate to meet the highest consumption requirements of record and leave a carry-over large enough to provide protection against the possibility of succeeding short crops.

Question 9. How does 20 million bales compare with the supply in 1933 and the 2 years before?

Answer. The supply after the plow-up campaign in 1933 was 24,800,000 bales; in each of the two seasons previous to 1933 it was 26,000,000 bales.

Question 10. Why is this supply large enough to meet all demands for cotton in this country and abroad?

Answer. The most American cotton ever used in one season was 15,800,000 bales in 1926-27. Only a little over 12,000,000 bales was used when the price was down to 5.7 cents in the 1931-32 season. Consumption for 1933-34 was 13,500,000 bales of American cotton.

Question 11. With average consumption through this year, how much carry-over will there probably be in August, 1935 when farmers begin to sell their 1935 crop?

Answer. With average consumption for the current cotton year, the carry-over next August would be about 7,000,000 bales, compared with 5,309,000 bales, the average annual carry-over from 1920 through 1930. However, if consumption is below average for the 1934-35 season, the carry-over will be above 7,000,000 bales.

II. CONSUMPTION OF AMERICAN COTTON IN 1933-34

Question 12. What was the United States consumption of American cotton for 1933-34?

Answer. About 5,600,000 bales.

Question 13. How does this consumption compare with the average for the 14 years ending with 1933-34?

Answer. This is slightly below the 14-year average, which was about 5,800,000 bales.

Question 14. What is the outlook for United States consumption of American cotton for the 1934-35 season?

Answer. This will depend upon continued improvement in employment, pay rolls, farm income, and industrial production, together with relief programs. Since 40 percent of cotton consumed in America is for industrial uses, the levels of industrial production and cotton consumption rise and fall together. Therefore the prospects for domestic cotton consumption are most closely linked with the prospects for a revival of industrial activity.

Question 15. What was the foreign consumption of American cotton for the 1933-34 season?

Answer. About 8 million bales.

Question 16. How does this compare with the average for the 14 years ending with 1933-34?

Answer. This is a little over 500,000 bales more than the average for the 14 years.

Question 17. What is the outlook for foreign consumption of American cotton in the 1934-35 season?

Answer. With large supplies of foreign cottons, there is a tendency to substitute them for American cotton. This is due to several factors. Among the reasons for the substitution of foreign cotton is the fact that foreign cotton-consuming countries are compelled by economic pressure to purchase their raw cotton from countires that in turn buy the products of the country purchasing their cotton. The amount of cotton exported by the United States to the principal cotton-consuming countries during the current season will depend to a large extent upon the amount of trade these countries have with the United States.

Question 18. What was the total or world (United States plus foreign) consumption of American cotton for the 1933-34 season?

Answer. About 13,500,000 bales.

Question 19. How does this compare with the average for the 14 years ending with 1933-34?

Answer. This was the sixth highest total consumption for any one season and was about 400,000 bales above the average for the 14 years.

Question 20. What is the outlook for total consumption of American cotton in the 1934-35 season?

Answer. The probability is that total consumption of American cotton will exceed that of the 1930-31 season, which was about 11 million bales, but will not likely be as large as that of last season, 1933-34.

III. COTTON ACREAGES, 1934 AND 1935

Question 21. What is the estimated acreage to be harvested for the 1934-35 season?

Answer. The acreage to be harvested in 1934 is slightly above 27 million acres, as given in the October 1 crop report.

Question 22. How does this compare with the average acreage for the 14 years ending with 1933-34?

Answer. The average acreage harvested for the 14 years was about 38 million acres.

Question 23. Will the signing of contracts be opened so that those who did not sign 1934 and 1935 contracts will be given opportunity to sign a contract for 1935 and receive rental and parity payments in 1935?

Answer. Arrangements will be made whereby those producers who did not sign a 1934 and 1935 reduction contract will be permitted to enter into an adjustment reduction contract for 1935.

Question 24. Are measures other than the voluntary program available to keep the total acreage within the desired amount?

Answer. Yes; the Bankhead Act can be continued through the 1935 season, if the President finds and procliams that the emergency in cotton production and marketing will continue next year, and if the Secretary of Agriculture determines that two-thirds of the producers favor it. Producers will have an opportunity to vote on it so that the Secretary may determine whether cotton farmers want it continued for 1935.

For further information see your cotton committeeman, vocational agriculture teacher, or county agent.

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Adjustment Administration
Washington, D. C.

SHALL THE BANKHEAD ACT BE CONTINUED THROUGH 1935?

Whether the Bankhead Cotton Control Act will be made effective for 1934 will depend upon the outcome of a referendum of cotton producers which will be held throughout the South.

The question which will be submitted to those eligible to participate in the referendum is:

"Are you in favor of continuing the Bankhead Act for next year (June 1, 1935 to May 31, 1936)?"

In a footnote to the above question as stated on the ballot is the explanation that "continuance of the Bankhead Act means that a tax will continue to be levied on the ginning of cotton in excess of an allotment made to meet the probable market requirements." Attached to the ballot will be a statement from the Secretary of Agriculture, urging cotton producers to consider carefully all the facts and "reach a decision based upon considered judgment as to whether the Bankhead Act is needed to assure attainment of the objectives of the cotton adjustment program."

Points that should be borne in mind by cotton farmers in determining their votes on continuing the Bankhead Act for 1935-36 include:

1. Irrespective of the decision of cotton farmers on the Bankhead Act, the 1935 cotton-adjustment program, with its rental and parity payments to voluntary cooperators, will continue. The Secretary of Agriculture has announced that, under the terms of the 1934-35 cotton acreage reduction contract, he will continue the program into the 1935-36 season.

Moreover, cotton producers who did not sign a 1934-35 Cotton Acreage

Reduction Contract last spring will be given the opportunity to join the cotton-adjustment program for the 1935 season.

2. It is the estimate of the Agricultural Adjustment Administration that under the voluntary cotton adjustment program, but without the Bankhead Act in effect for the 1935-36 crop year, total production probably will be about one million bales more than total production would be if the Bankhead Act were in effect.

3. Surplus tax-exemption certificates, that is certificates for the 1934-35 season which remain in the hands of the producers, can be used for the 1935-36 season in the event the Bankhead Act is made effective for that season. Such certificates as are outstanding at the end of the cotton-ginning season will be recalled, and in their stead new certificates of a different color and appearance will be issued for the 1935-36 season in the event the Bankhead Act is made effective for 1935.

4. The total allotment under the Bankhead Act for 1935-36, in the event it is made effective, is not fixed in the Act but will be determined by the Secretary of Agriculture after investigation of the available supply and probable market requirements and a determination of "the quantity of cotton that should be allotted, in accordance with the policy declared in section 1."

5. In the event the Bankhead Act is made effective for 1935-36, and after the total allotment is fixed, individual allotments will be made, under the terms of the Act, upon one of the bases hereafter outlined; and the Secretary of Agriculture, in determining the manner of allotment to individual farmers, will provide that the farmers who have reduced their cotton acreage voluntarily shall not be penalized in favor of those farmers who have not done so.

6. Those having a right to express themselves upon the question as to

whether the Bankhead Act shall be effective for the 1935-36 season are defined in the Act as those persons "who have the legal or equitable right as owner, tenant, share-cropper, or otherwise to produce cotton on any cotton farm, or part thereof, in the United States" for the crop year 1935-36.

I. THE PURPOSE OF THE ACT

The Bankhead Cotton Act, approved April 21, 1934, levied and assessed a tax (of 50 percent of the average central market price) upon the ginning of that portion of the cotton producer's 1934 crop in excess of his individual allotment. It was determined by the Secretary of Agriculture, under the terms of the Act, that the amount of the tax for the 1934 season was 5.67 cents per pound on the cotton produced in excess of allotments.

The purpose of the Act, as it states, is to place the cotton industry on a sound commercial basis, to prevent unfair competition and practices in putting cotton into the channels of interstate and foreign commerce, and to more effectively balance production and consumption of cotton.

The Bankhead Act itself required that the tax on cotton marketed in excess of individual allotments must be in effect for the crop year 1934-35 but it provides that the tax shall be in effect for the 1935-36 crop year only (sec. 2) "if the President finds that the economic emergency in cotton production and marketing will continue or is likely to continue to exist" and, (Section 3(a)), if the Secretary of Agriculture finds "that two-thirds of the persons who have the legal or equitable right as owner, tenant, share-cropper, or otherwise to produce cotton on any cotton farm, or part thereof, in the United States for such crop year favor a levy of a tax on the ginning of cotton in excess of an allotment made to meet the probable market requirements and determines that such a tax is required to carry out the policy de-

clared in section 1" 1/

II. ACT INTENDED TO SUPPLEMENT VOLUNTARY ADJUSTMENT

The Bankhead Act was passed by Congress to supplement and not to supplant the voluntary acreage adjustment programs under the Agricultural Adjustment Act. For the 1934-35 marketing year it fixed a national quota of 10 million 500-pound bales of cotton. It charged the Secretary of Agriculture with the duty of alloting as quotas to the cotton-producing States "the number of bales the marketing of which may be exempt from the tax herein levied, which shall be determined by the ratio of the average number of bales produced in each State during the five crop years proceding the passage of this Act 2/ to the average number of bales produced in all the States during the same period."

1/ "DECLARATION OF POLICY --

That in order to relieve the present acute economic emergency in that part of the Agricultural industry devoted to cotton production and marketing by diminishing the disparity between prices paid to cotton producers and persons engaged in cotton marketing and prices of other commodities and by restoring purchasing power to such producers and persons so that the restoration of the normal exchange in interstate and foreign commerce of all commodities may be fostered, and to raise revenue to enable the payment of additional benefits to cotton producers under the Agricultural Adjustment Act -

"It is hereby declared to be the policy of Congress to promote the orderly marketing of cotton in interstate and foreign commerce; to enable producers of such commodity to stabilize their markets against undue and excessive fluctuations, and to preserve advantageous markets for such commodity, and to prevent unfair competition and practices in putting cotton into the channels of interstate and foreign commerce, and to more effectively balance production and consumption of cotton."

2/ 1928 to 1932, inclusive.

After quotas were apportioned among the States, county quotas were determined (with exceptions under certain circumstances as set forth in the Act) upon the same basis as that upon which the total quota fixed in the Act was apportioned among the States. Individual producers' quotas, upon proper application, were finally determined upon a basis prescribed in the law. The result was that under the terms of the Act each individual cotton producer was issued tax-exemption certificates permitting the marketing, tax-free, of his fair pro rata share of the 10 million bales thus allotted in accordance with the provisions for equitable distribution of the national quota. If the individual producer grew cotton in excess of the allotment, there were three courses open to him: first, he could sell the cotton by paying the tax under the terms of the Act and regulations issued pursuant thereto; or, second, he could purchase tax-exemption certificates sufficient to cover such sales, either through a national pool established and operated by the Agricultural Adjustment Administration or from a producer within his county who had excess certificates. All transfers were required to be made through the offices of the county assistants in cotton adjustment. Four cents per pound was fixed as the uniform price at which tax-exemption certificates could be sold and purchased or transferred. Finally, the producer could store his excess cotton subject to a lien for the amount of the tax.

The total quota for the 1934-35 crop year as fixed in the Act was 10 million 500-pound bales or 10,460,251 bales of 478 pounds net weight.

Production for the entire cotton belt for the 1934-35 crop year was 9,443,000 bales of 478 pounds net weight according to the October 1 crop estimate. Because production was below the quota fixed under the Bankhead Act some States had tax-exemption certificates in excess of

their actual production while the total production of other States was in excess of the total number of tax-exemption certificates issued to producers within that State. Within every cotton State there are some producers whose total production was in excess of their allotments while other producers had certificates to cover more than their actual production.

III. CERTIFICATE POOL ESTABLISHED FOR GROWERS

To meet this situation the national Surplus Cotton Tax-exemption Certificate Pool was established. The purpose of this pool is to facilitate sales and purchases of surplus tax-exemption certificates issued under the Bankhead Act and to prevent speculation in certificates and sharp practices in obtaining them. Four cents per pound was fixed as the uniform price for which the certificates could be sold and purchased. It was announced that when the pool is closed all funds on hand from the sale of surplus certificates will be distributed among producers placing certificates in the pool and each producer will receive his share in the proportion that the poundage surrendered by him bears to the total poundage in the nation pool. In addition, each producer will be returned his pro rata share of the unsold certificates, which may be used for the 1935-36 crop year in the event the Bankhead Act is effective for that year.

The operation of the pool, in addition to local sales permitted meant that farmers who did not produce amounts of cotton equal to their allotments were able to realize some cash return by selling their tax-exemption certificates either through the pool or to other

producers in their county, thus providing a form of "crop insurance" to those producers whose cotton production had been curtailed by drought or other natural causes.

IV. QUESTION OF CONTINUING ACT

Whether the Bankhead Act shall be made effective for the crop year 1935-36 will be decided by the cotton producers themselves. Under the Act, as heretofore stated, the Secretary of Agriculture is required to find that two-thirds of the persons eligible to participate in the production of cotton favor its continuance before it can be made effective. Accordingly, cotton producers will be given the opportunity to express themselves on the question of whether they favor the levying of a tax on cotton produced in excess of the allotments for the 1935-36 season.

In determining this question, cotton producers should recognize that there are essential differences in the application of the Bankhead Act for 1935-36 and its application for the current 1934-35 season.

The chief difference is the fact that the national quota for 1935-36 is not fixed in the Act but under the Act is to be determined by the Secretary of Agriculture after an investigation of the available supply of cotton and the probable market requirements. The maximum amount of cotton that could be marketed tax-free in the 1934-35 season was fixed by the Act at 10 million 500-pound bales.

In the event the Bankhead Act is made effective for the 1935-36 season, individual allotments will be made to cotton producers upon one of the two following bases: (1) "Upon such basis as the Secretary of Agriculture deems fair and just, and will apply to all farms to which

the allotment is made under this paragraph uniformly, within the county, on the basis or classification adopted." (2) "By ascertaining the amount of cotton the farm would have produced during a fair representative period if all the cultivated land had been planted to cotton, and then reducing such amount by such percentage (which shall be applied uniformly within the county to all farms to which the allotment is made under this paragraph) as will be sufficient to bring the total of the farm allotments within the county's allotment". The Act further provides that, as in the case of this year, the Secretary of Agriculture "shall provide that the farmers who have voluntarily reduced their cotton acreage shall not be penalized in favor of those farmers who have not done so."

It is reasonable to hope that the making of individual allotments upon one of the bases above stated, which allow the Secretary to afford producers the benefits of this year's experience in providing equitable adjustments of such allotments, will lead to bringing these allotments more nearly into line with the individual's total permitted production under the voluntary contracts.

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Instructions and forms to those charged with the duty of obtaining the opinion of cotton producers are being prepared. For further details of the referendum on the question of whether the Bankhead Act shall be made effective for the 1935-36 crop year, see your cotton committeeman, vocational agriculture teacher, or county agent.

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Adjustment Administration

HOW MUCH COTTON SHOULD AMERICA PRODUCE IN 1936?

Farmers Must Decide Whether the AAA Program Is to Continue

Disaster in the Past. It is easy to forget that cotton producers were faced with five periods of disastrously low prices between 1900 and 1928, and that such periods are likely to occur again unless producers join together and adjust their acreage and production to demand and cooperate to maintain such balance once it is achieved.

The Issue Defined. The continuation of the Agricultural Adjustment Act and its policies will be determined by the farmers themselves. If the farmers are convinced that it is to the best interest of the individual producers to join with all other producers and use the machinery of government to adjust their production to the demand, the adjustment program will continue. If farmers become dissatisfied with essentials of the program, or fail to cooperate to such an extent that the program no longer serves the interests of producers and consumers, the programs will be discontinued.

I. SHOULD THE ACREAGE OF COTTON BE DETERMINED BY A CONSIDERATION OF THE NEEDS OF EACH PRODUCER INDEPENDENTLY, OR BY A CONSIDERATION OF THE NEEDS OF ALL PRODUCERS TOGETHER?

A. Is it to the Best Interest of the Individual Cotton Producer to decide for Himself How Many Acres He Should Grow in 1936 Without Regard to Other Cotton Producers?

Individual action results in increased acreage. Cotton farmers often fail to look on the South as one big plantation. They see only their own small acreage, and thus don't realize that what affects each individual cotton farmer affects every other cotton farmer.

If enough cotton farmers refrain from cooperation, either through misunderstanding or purposely because of personal reasons, they may endanger the entire cotton adjustment program.

Almost every time large numbers of producers have simultaneously reached out in the past for big individual profits from more acres they have found instead, only individual losses and hardships. The latest lean and disastrous years of 1931 and 1932 are too well in mind to be forgotten this soon.

Despite past experience and the improved conditions existing in cotton-growing states since the AAA came into being, some producers may be considering that solution of all their problems lies in mere individual expansion of their production. Such producers apparently have lost sight of the objectives of the cotton adjustment program.

If each individual producer were to determine his cotton acreage for 1936 independently of all other cotton producers the production would be greatly expanded, the crop would be greatly increased and the price would fall sharply, with the result that the total value of the cotton crop in 1936 likely would be less than for a production in keeping with the demand. Instead of increasing their income from cotton production producers would in this way cultivate and harvest a big acreage and decrease their income. Moreover, the supply for 1936 would be greatly increased and the carry-over at the end of the season once again would be piled up so high that it might take years to bring it back down to normal.

Individual action not sufficient. Experience has shown that individual producers acting independently cannot, without undue sacrifice, adjust their production and supply of cotton to the demand. Often in the past by acting independently they have thus decreased their income.

Between 1900 and 1928 there were five periods of disastrously low cotton prices brought about by overproduction. Usually some adjustment or attempt at adjustment in acreage and production was forced by periods of overproduction and low prices. However, these movements were brought about through financial distress. The growth of tenancy in the South is mute evidence of these low-price periods and of the generally low per capita income from cotton production. Many cotton producers accumulated some capital by hard work and sacrifice and invested their earnings in farms and homes only to see their investments and their equities wiped out in the years of low prices.

B. Is It to the Best Interest of the Individual Cotton Producer to Join With Other Producers in Determining His Cotton Acreage in 1936?

Excessive supply means low income.- When the supply of American cotton is out of balance with the demand the price and total income from the crop is reduced. A reduction in total income from the United States crop of cotton means a reduction in income for each producer. If the total income from the cotton crop is increased the income of individual producers will be increased.

Cheap cotton does not always reduce the average acreage planted.- In 1931 the price received by producers averaged 5-7/10 cents a pound. In 1932 the price averaged 6-1/2 cents a pound. However, producers acting independently planted 4 million more acres in 1933 than they planted in 1932. They were faced with another disaster until by collective action and the use of governmental machinery they plowed under 10-1/2 million acres of growing cotton which, it is estimated, would have produced 4-1/2 million bales to be added to a record world supply of cotton. Through devaluation of the dollar and the plow-up program, the farm value of the crop of lint and seed including rental and benefit payments and profits on cotton options was, in 1933, $924,531,000 as compared with $483,887,000 in 1932. Price received by producers for lint cotton was increased from 6-1/2 cents a pound in 1932 to 10-2/10 cents per pound in 1933. Instead of a world supply of 29 million bales of cotton for the 1933-34 season, there was a supply of 24-1/2 million bales.

Producers, through cooperative action, used the machinery of the government in 1934 further to adjust the supplies of cotton to the demand. In 1934, 27,883,000 acres were planted to cotton. The world supply of American cotton and of all cotton was further reduced. The value of the 13 million bale United States crop, including lint, seed, and rental and benefit payments, and profits on options was $924,531,000 in 1933, and in 1934, was held up to $860,389,000 for a 9 million bale crop due to the drouth with no option profits.

Again in 1935 producers cooperated to hold the acreage planted to 29,166,000 acres. In a preliminary estimate the value of the crop in 1935, including rental and benefit payments, is placed at $860,171,000.

The results of the cotton adjustment programs for the past three years illustrate that it is to the interest of the individual cotton producer to join with other producers in determining his cotton acreage each year.

Will history be repeated? - Cotton producers individually attempted to adjust their production following years of overproduction in 1904, 1908, 1914, 1920, and 1926. Such periods when prices are disastrously low, are likely to occur again unless producers join together and adjust their acreage and production to demand and cooperate to maintain such balance once it is achieved.

Campaign of 1905 1/

In 1904 the average yield was 213 pounds to the acre on over 31 million acres harvested for a total of 13-1/2 million bales and the price dropped to less than 9 cents per pound, a decline of 1-1/2 cents per pound from the price received for the 1903 crop.

Definite alarm was caused by this record-breaking crop and attention was given to the cotton situation as early as September 1904. At first, effort was directed toward a "hold your cotton" campaign which culminated in mass meetings of growers in "every county court house in the South", on December 17, 1904. By January, 1905, primary attention was turned to reducing acreage, and an active campaign for this end was continued until planting time in 1905. The Southern Cotton Association, perfected at an interstate convention in New Orleans in January, 1905, as an outgrowth or enlargement of the Southern Cotton Growers' Protective Association, was the chief agency responsible for this comparatively successful campaign. The Farmers' Union also favored reduction of the acreage planted to cotton and helped in the campaign of 1905.

Reduction of cotton acreage was the chief subject discussed in the convention at New Orleans where middling cotton was then selling at below seven cents.

1/ the statements on the campaigns in 1905,1915,1921,1927, and 1928 are taken from a paper by E. E. Edwards of the United States Department of Agriculture.

Representatives of the New York and New Orleans cotton exchanges endorsed the acreage decrease recommendations. Southern banking interests organized a committee consisting of one from each cotton State to work with the Southern Cotton Association in its campaign.

Precinct meetings were held in every part of the Cotton Belt, and farmers and landowners signed a pledge to reduce acreage planted and to decrease consumption of fertilizers.

In 1904, the cotton acreage was 31,379,371 acres; in 1905, 26,999,552 acres. This reduction of approximately 4,370,000 acres as compared with the previous season was about 14 percent. As a result production was cut to 10-1/2 million bales and the price went up to 10-8/10 cents per pound. The comparatively low price of 1904-05 probably was a factor in the reduction, but "it seems reasonably certain... that the very substantial reduction in the acreage planted in 1905 is attributable in large measure to the efforts of the Southern Cotton Association." (Report of the Commissioner of Corporations on Cotton Exchanges, pt. 5, p. 334).

The policy of the acreage reduction was urged with more or less persistency in the seasons following 1905. For 1906 the Southern Cotton Association recommended a reduction below that of 1905. Apparently, little was done to carry out the recommendation.

Then came a decade of fair prices in which is included the 1909-1914 "base period" used in computing "parity".

Campaign of 1915

The acreage of cotton in 1913 and 1914 was large and a better season in 1914 resulted in the pre-war record cotton crop. Nearly 37 million acres harvested in 1914 produced over 16 million bales. Because of conditions due to the war and the large crop the price dropped to 7-4/10 cents per pound and the South was stirred to seek a remedy.

A conference of the governors of the Southern States was called to meet at Memphis in October, 1914, but only about one-third of the South's cotton-producing area was represented. Those present indorsed the "Wade plan" for raising $150,000 000 to lend on cotton; reduction of cotton acreage at least 50 percent; and better marketing facilities for the diversified crops. However, no governor present favored bond issues to buy cotton for holding from the market.

It was proposed that the various State Legislatures pass laws fixing the acreage to be planted to cotton, but most of the governors of the cotton States pleaded the unconsitutionality of extending the police power of the States so far.

Individual writers proposed in the columns of agricultural periodicals a graduated tax on all cotton produced in 1915 and after.

A method not only suggested but used with at least some results was the elimination of credit to cotton growers who did not reduce their acreage devoted to cotton.

A campaign of education regarding facts of the cotton situation in every section of the South was a vital factor causing the acreage reduction in 1915.

The acreage harvested in 1915 was 31,412,000 acres as compared with 36,832,000 acres for 1914, - a recuction of 5,420,000 acres or about 14 percent. This reduction, together with a poor season and a lower yield, improved the conditions of the cotton growers.

Campaign of 1921

During the war period the acreage in cotton again went up to 36 million acres, but the size of the crop was held down by poor seasons and the spread of the weevil, until 1920, when, with nearly 36 million acres, the largest crop since 1914, amounting to nearly 13-1/2 million bales, was harvested. This large supply, together with the post-war deflation, resulted in catastrophe, when prices dropped 55 percent from the price received in 1919.

Although the leaders in the campaign of 1927 refer to the reduction of acreage in 1921 as due to a campaign there is no evidence in the files of agricultural periodicals of the methods used.

In 1921 the acreage was cut to 30,509,000 acres, - a decrease of more than 15 percent. The carry-over and the terrific slump in prices were the main factors.

Fair prices were had for the next three years.

Campaign of 1926-1928

Again in 1925 and 1926 huge crops of 16 and 18 million bales respectively were harvested with the price per pound cut nearly in half from that received for the 1924 crop. The 1926 crop set harvested from 44-1/2 million acres an all-time record.

As a result, the 14 governors of the cotton States sponsored a South-wide conference of cotton growers and those interested in the welfare of the cotton grower at Memphis in October, 1926. The following plan of reducing the acreage of cotton in 1927 by at least 25 percent was adopted; by securing pledges from every cotton grower in the South, showing the acreage planted in 1926 and the acreage proposed in 1927, and pledges from every banker and merchant that they would cooperate in helping to secure this reduction of cotton acreage, the acreage saved from cotton to be planted to feed crops and other money crops. To carry out the plan, a South-wide Executive Committee of 20 was organized. Some accounts speak of this as a 2-year program.

President Coolidge appointed a Cotton Emergency Committee which arranged for 9 agricultural credit corporations under the terms of the Intermediate Credits Act.

A conference of Southern governors and others interested in cotton met in Jackson, Mississippi, in March, 1928, to continue the work inaugurated in 1926. The convention recommended a 10 percent reduction in the 1928 cotton acreage.

The recommendations of the conference included proposals for adoption of credit policies to force cotton acreage restriction; organization of a permanent committee to carry on the work begun by the conference; that laws requiring school attendance of children between 8 and 15 be passed, and if already in existence, strictly enforced, - it being admitted that at least 25 percent of the cotton was produced and gathered by children between the ages indicated. Further, it was recommended that if middling cotton on October 15, 1928, was quoted on the New York cotton exchange at an unprofitable price to the grower, the governors be urged to convene the legislatures in special session to consider control of acreage by State legislation.

The 1927 cotton acreage in the south was reduced 14 percent but in 1928 there was another increase and 42-1/2 million acres were planted to cotton, the third highest acreage on record to that date. This resulted in still another period of declining prices and accumulating surpluses.

Producers should also review the events that have taken place since 1928. In 1929 Congress passed the Agricultural Marketing Act creating the Federal Farm Board. The objective of the Farm Board was to control and prevent surpluses and to prevent surpluses from causing undue and excessive fluctuations or depressions in prices. The Farm Board found that prices could not be stabilized for long without production control. Its operations were discontinued early in 1933.

<u>Agricultural Adjustment Begun in 1933</u>.- The policy of the Agricultural Adjustment Act is to establish and maintain a balance between production and consumption of agricultural commodities; to reestablish fair prices to farmers; to reestablish equality of farm purchasing power by gradual correction of inequalities at as rapid a rate as is deemed feasible in view of the current consumptive demand in domestic and foreign markets; and at the same time to protect consumers' interests.

<u>Farmers must choose</u>.- The continuation of the Agricultural Adjustment Act and its policies will be determined by farmers themselves. If farmers are convinced that it is to the best interest of individual producers to join with all other producers and use the machinery of government to adjust their production to demand, the adjustment programs will continue. If farmers become dissatisfied with essentials of the programs, or cease to cooperate to such an extent that the programs no longer serve the interests of producers or consumers, the

programs will be discontinued. Each producer must decide if it is to his best interest to join with other producers in determining his cotton acreage for 1936.

II. HOW MUCH COTTON SHOULD BE PRODUCED IN 1936?

A. What Should Be the Total United States Production in 1936?

Before determining the number of bales that should be planned for in 1936, producers should carefully consider (1) probable carry-over at the end of the present season, (2) how much cotton they can sell to consumers both in the United States and in foreign countries, (3) the price at which they can expect to sell different sized crops, (4) the reduction they wish to make in carry-over by July 31, 1937, and (5) the effect of different sized crops on foreign acreage and production.

The world supply of all cotton for the 1935-36 season of nearly 40 million bales is about the same as for the previous season. This is almost 8 million bales smaller than the enormous prospective supply before the plow-up in 1933. However, the supply is about 11 percent larger than the average for the last 10 years and is considerably larger than the prospective demand. The world consumption of cotton has never exceeded 26-1/10 million bales in any one season. The world consumption for the season ending July 1935 was slightly larger than that of the previous season, and larger than the 10-year average ending in 1932-1933.

World consumption of American cotton was 11-3/10 million bales or about 16 percent below average. However, most of this decline in consumption of American cotton was in foreign countries. Exports declined in 1934-35 even more than foreign consumption of American cotton. There were a number of factors contributing to the decreased foreign purchases and consumption of American cotton last season.

Difficulties were experienced by foreign countries in obtaining exchange with which to purchase American cotton. This was especially true in the case of Germany, Italy, and Poland. Trade arrangements between foreign-consuming countries and foreign-producing countries affected sales of American cotton. The low price of certain foreign growths compared to American cotton, which was more pronounced early in the season, also was a contributing factor. However, Brazilian fair Sao Paulo cotton on the Liverpool market in the 1934-35 season was higher compared with the 10 year average price than was American cotton at Liverpool. The supply of American cotton available to the trade was sharply limited due to the quantity upon which the 12-cent loan was made in 1934-35.

Conditions in the early part of the 1935-36 season indicated that world consumption of American cotton will be somewhat larger than in the previous season. Favorable factors are: less of the 1935 crop is being covered by the loan; a higher level of business activity is in prospect and the price of American cotton is more nearly in line with the price of all foreign growths.

The estimated supply of American cotton for the 1935-36 season is 20-1/2 million bales. If consumption should equal the average for the past 10 years, the carryover at the end of the season will be approximately 7 million bales. This still is an excessive carry-over. If the carry-over is further reduced by July 1937, it will be necessary to produce less cotton in 1936 than is consumed in the 1936-37 season.

The 10 year 1923-32 average world consumption of American cotton was 13-1/2 million bales and for the last 5 years of this period the average consumption was 13 million bales. With average consumption it will be necessary to cut production to less than 13 million bales in 1936 if the excessive carry-over of 8 to 9 million bales is to be further reduced by July, 1937.

On the other hand, if consumption should be below average or more in line with consumption for the 1934-35 season, it will be necessary to produce under 11 million bales in 1936 if the carry-over is to be reduced by July of 1937. How much less than 11 or 13 million bales should be produced will depend upon the reduction producers wish to make in the carry-over.

The quantity of cotton produced in the United States in 1936 will in no way affect the quantity produced in foreign countries in 1936. However, the supply and price of American cotton in 1936 will affect the acreage and production in foreign countries in 1937. A large American supply and low price in 1936 would tend to discourage increased foreign production while on the other hand a small American supply and high price in 1936 would tend to encourage foreign production. However, it should be borne in mind that the trend of foreign acreage and production has been upward at a sharper rate during the last 45 years than has the upward trend of American acreage and production. It appears that in between the two extremes of drastic restriction and unrestricted production lies the course to be followed.

B. How Much Cotton Should Be Produced in Each State in 1936?

If an adjustment program in the United States is to be successful, it must be successful in each and everyone of the cotton-producing States. After the producers have determined what the national production should be in 1936 it will be necessary for each State to hold its production within its share of the national production. Individual States cannot expand production or overproduce without expanding the national production.

C. How Much Cotton Should Be Produced in Each County in 1936?

Counties cannot expand acreage and production without expanding the State and National acreage and production. To have national adjustment it is necessary to have State and county adjustment.

D. How Much Cotton Should Each Individual Cotton Producer Produce in 1936?

It is impossible to have national cotton adjustment without having State adjustment. It is impossible to have State adjustment and not have county adjustment. It is impossible to have county adjustment unless individual producers adjust their production. National adjustment is accomplished by each producer making his share of the total adjustment.

If cotton producers are of the opinion that it is to the best interest of the individual producer to join with other producers and use the machinery of government in adjusting production to the demand, it will be necessary for each producer to adjust his acreage and production in line with adjustments made by other producers. Individual producers cannot expand their acreage and production in 1936 without expanding the national acreage and production. If each cotton producer acting individually makes the expansion in cotton production that he might like to make in 1936 the national acreage and production will be expanded.

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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
WASHINGTON, D. C.

Commodity Information Series — Cotton Leaflet No. 7.

COTTON ADJUSTMENT UNDER THE AAA

Cotton Growers to Decide Whether They Wish to Continue Adjustment of Production to Demand for Cotton

Cotton farmers must decide whether they wish to continue to adjust their production to demand, or return to the old system of unrestricted competitive production.

In making this decision, they should remember that the adjustment program is a cooperative enterprise designed to produce the amount of American cotton that the world needs and will take at a fair price. Under the old system, every farmer produced as much cotton as he could. He competed with other farmers both in this country and abroad, and sold his cotton for what it would bring.

Decision should not be based on present conditions alone. There were good years for the cotton farmer under the old method of unrestricted production, but violent fluctuations in price and production more often caused hardship and poverty.

In reaching their conclusion, cotton growers should consider: (a) the course and conditions of the cotton industry in the period before adjustment programs were inaugurated; (b) changes in the status of the industry and of cotton farmers since the launching of adjustment programs; and (c) the known factors that bear upon the future outlook for the industry.

For many years American farmers in the Cotton Belt have depended upon cotton as a cash crop, always good for money in the domestic and foreign markets.

Cotton Industry on a Downward Trend

But at times since the beginning of the present century the cotton industry, under unregulated and uncontrolled competitive production, has revealed declining trends. Farms and farm homes in the eastern part of the Cotton Belt have been going down instead of improving. The total national income from cotton in 1932 was about one-third what it had averaged during the 1920's. The gross annual income per family on cotton farms dropped from $735 in 1928-29 to $232 in 1932-33. Such a reduction in income has led, inevitably, to low living standards, farming practices that exhaust the soil, debt, tax delinquencies, and difficulty in obtaining credit except under unfavorable terms.

American cotton growers, whether they realized it or not, were competing with foreign growers. They were buying manufactur-

ed articles in markets where the prices were protected either by tariffs or by a form of business organization which could and did adjust its production to meet only the demand that existed at a price the sellers found attractive.

As far back as the 1860's there had been efforts in the South to adjust cotton production to demand by restricting production through State legislation or cooperative action. But always there was a minority unwilling to join in these efforts, and large enough to produce sufficient cotton to overstock markets and force down the price for all. Three generations of southern farm and business leaders have deplored the effects of the one-crop system, urging farmers to grow less cotton and more food and feed they needed for their homes and their farms.

In 1933, when measures providing aid from the Federal Government in adjusting the national output of cotton were enacted, cotton farmers were facing ruin.

The Change Since 1932

By 1934 the gross annual income per family on cotton farms had risen to $400. Total cotton income for the United States had more than doubled since 1932. From a low of 464 million dollars in that year it had risen to 890 million in 1933; was 822 million in the drought year 1934; and is estimated at not less than 860 million for 1935.

These figures include the benefit payments made under the Agricultural Adjustment Act to signers of voluntary adjustment contracts. These payments totaled about 173 million dollars in 1933 and about 116 million in 1934; they will be about 125 million in 1935.

Store prices, while they have risen since 1932, have not advanced so rapidly as cotton prices. One bale of cotton now buys more than twice as much manufactured goods as it did in 1932. It will buy three-fourths as much as it would have bought in 1909-1914, before the World War.

As income from cotton has increased, farmers' debts have decreased. The late October report of the Farm Credit Administration shows an average of over 90 percent in repayments in the Columbia, S. C., and Houston, Tex., districts. Tax delinquencies in the South have also diminished as farmers' income increased.

Standards of living and standards of farm management among cotton growing families have shown the rise that might be expected when each bale of cotton has a higher buying power.

Southern farmers have been enabled to stop the practice of mining and exhausting their land in order to extract from every

acre the last possible pound of cotton. This process of soil depletion had gone on until some 25 million acres of land in the Southern States, once in cultivated crops, are no longer fit for cultivation, and another 25 million acres are in almost as bad a condition. Since 1933 there have been opportunity and encouragement to use acres retired from cotton production, without loss of income to the farmer, for soil-improving and erosion-preventing crops and for the production of farm and home needs in food and feed.

Women and children formerly working in the cotton fields are now in their homes or at school.

Business and Industry Shared Improvement

Business and industry that depend upon the cotton farmer and his family as customers, have shared in the benefits from his increased income. The greatest increases in department store sales in the United States, comparing 1933 and 1934, took place in the South. In 1934 the Atlanta, Dallas, and Richmond Federal Reserve districts led the entire country, in the order named. Sales of general merchandise in the South were about one-fourth more in 1934 than in 1933, according to the United States Department of Commerce. The increase during the first eight months of 1935, compared with the same period in 1934, was even greater.

More than 140,000 more new automobiles were registered in the South in 1934 than in 1932. Postal receipts and life-insurance sales have shown marked increases; real estate and building activities have improved; the value of farm real estate has risen; forced sales and foreclosures of farms have decreased while the number of voluntary sales has risen; there has been a sharp decrease in the number of commercial failures.

Bank deposits, net demand and time, in Southern towns of less than 15,000 population in eight Cotton Belt States, increased more than 100 million dollars from 1933 to 1935.

Waybills of four important railroads serving the South show that carlot shipments of manufactured goods from 16 Northeastern industrial States to 10 Southeastern agricultural States, increased 38.8 per cent in the first 12 months after the beginning of the adjustment programs.

The improvement in the Southern farmer's condition has thus been reflected among manufacturers, transportation agencies, and commercial concerns, throughout the country.

The move to adjust cotton supply to demand is one, and only one, of the factors that have brought about these changes since 1932. This move has increased the price of cotton and has added cash to the income of the cotton farmer, in the form of benefit payments.

Changes in the national monetary policy, general price increases, refinancing and adjustment of farm indebtedness, additional buying power on the part of urban consumers of farm goods, have all had their effect.

Problems That Remain to Be Solved

By no means have all the problems of the cotton industry been solved as yet, although cotton farmers are better off than they were three years ago.

The problem of American cotton exports is important to the South and to the Nation. Although exports lately have increased somewhat, a decline had been registered in previous months. Many persons have asked whether adjustment of American cotton production has caused or will cause the permanent loss of a portion of America's foreign cotton market. Many factors other than the adjustment programs must be considered in answering the question.

Both European and Oriental textile mills have always demanded American cotton because the length and strength of its fiber have adapted it particularly well to manufacture.

Since the World War, exports of American cotton have fluctuated from nearly 11 million bales in one year to approximately 4-3/4 million in another year. For the first 15 years after the War, the average was a little more than 7 million bales. Exports in 1932-33 were slightly under 8-1/2 million bales; the next year about 7-1/2 million; in 1934-35 a little under 5 million. During the 1935-36 period a gain has been shown over the figure for the preceding year. From August 1 to November 26, 1935, America exported 474,000 bales more than in the same period in 1934, or 2,297,000 bales as against 1,823,000 bales, a gain of nearly 26 percent.

Factors that Have Hindered Exports

One of the principal reasons for the decline in exports of American cotton has been the fact that the United States has itself made it difficult for would-be foreign customers to obtain American cotton and other farm products.

After the World War, the United States ceased to be a debtor nation, owing money to European countries and sending them farm goods in payment of those debts. Instead, European countries owed the United States money.

A creditor nation usually finds it best to lower its tariffs and accept goods from its debtors. But the United States again raised its tariffs and thus made it even more difficult for European debtor nations to trade us their goods in exchange for our cotton or other farm products.

For a few years after the war this country made huge foreign loans--not yet repaid--which gave artificial support to export markets

for American goods. When the loans stopped, their cessation and the American tariff policy combined to weaken the support for export markets.

Movement of American cotton into export channels has also been hampered by tariff and other trade restrictions set up by foreign countries, either in retaliation against American policies or in a desire for national self-sufficiency. Not only tariffs, but exchange restrictions, import quotas, and embargoes have been established as bars to the foreign purchase of American goods.

Some former foreign customers for American cotton have turned from this source of supply to producing countries with which they have been able to negotiate agreements for exchange of their own products. This move has been one factor in encouraging increased cotton acreage in some of these other producing countries.

Another reason for the decline in exports in 1934 and early 1935 is that during the period from 1930 to 1933, when American cotton was very cheap, foreign countries bought 2-1/3 million bales more than they consumed. When prices of American cotton rose these foreign countries began to use up their stored supply of cheap cotton, deferring the buying of more cotton while they waited to see whether the price would come down again. At this period the American Government loan of 12 cents a pound to cotton producers was holding the United States cotton price above its normal relationship with world price. Consequently the supply of American cotton available to the trade at prices comparable to the world price, was limited.

In 1934 foreign countries used 1-1/3 million bales more than they bought from this country. The inroads upon the stored supplies of cotton bought at a low price, help to account for the increase in shipments from this country during 1935.

Foreign Cotton Acreage Has Expanded Before

To a certain extent, factors that contributed to the decline in export sales of American cotton have encouraged greater acreage in other cotton producing countries. However, for more than 50 years cotton production in foreign countries has been expanding and the rate of expansion increased just before the adoption of the adjustment programs in the United States.

Because of low coffee prices in recent years, cotton has replaced coffee on many plantations in Brazil. Governmental restrictions have been removed from the crop in Egypt. Russia is trying to supply its own cotton needs. Japan is encouraging production in China, and Britain has stimulated cotton growing in Egypt, India, and Uganda.

Cotton production in foreign countries can be and probably will be further expanded. This expansion will, however, become more and more difficult because of natural and economic handicaps.

Higher coffee prices, for example, probably would reduce the rate of cotton acreage increases in Brazil. Few other countries are physically able to grow sufficient quantities of cotton with a quality equal to that of American cotton, to meet the demand.

A notable shift in the location of cotton mills is taking place. They are moving from Western Europe to the Orient. Japan has taken over about one-third of England's textile trade; India and China now are making most of their cotton cloth instead of importing it. In future, Japan will be reckoned with more and more, in selling cotton goods abroad.

Exports Possible - At A Low Enough Price

Cotton exports could be increased somewhat by putting the price low enough. This would mean that the Southern farmer would have to sell cheaply enough to compete in world markets at any price level, and regardless of the living standards of his foreign competitors.

Otherwise the United States will have to get along with a moderate volume of cotton exports unless this country is willing to adjust its tariff policy and thus make it possible for foreign countries to sell us their products and in turn buy American cotton and other farm products.

Reciprocal trade agreements designed to permit freer interchange of goods between the United States and certain other countries, recently have been negotiated or are under consideration. Under the latest of these, Canada agrees, for the life of the pact, to continue the free entry of raw cotton and linters from the United States; Canada also grants concessions of from 10 to 20 percent in its present tariff schedules, to American-made textiles, so long as there are no changes in the United States tariff on Canadian-made textiles.

Cotton Tenant Problem Not A New One

Next to the export problem, the situation of tenants on cotton farms has been perhaps the most widely discussed phase of the cotton adjustment program.

Cotton adjustment contracts under the Agricultural Adjustment Act are designed to protect the interests of all producers and assure each an equitable share of the increased returns.

The tenant problem in the South is an old and serious problem, not created nor as yet solved by the adjustment programs. Recovery measures that have added to the income of the industry and the regions are not likely to have injured the interest of any large group within the Southern cotton industry.

Interest of Labor Identical With That of Farmer

Farmer-producers, field labor, and employees off the cotton-handling trades have an identical interest in the stabilization of the cotton industry. If cotton production and handling fluctuate because prices advance and decline, labor in the handling trades will be alternately attracted into employment, and squeezed out of it. The permanent interests of labor are the same as those of the 2,200,000 cotton farmers.

The increase in cotton income has directly resulted in increases in other lines of employment outside the cotton industry but related to it. Railroads use more men, as the volume of shipments of industrial goods into the South increases and operating revenues rise; manufacturing industries require more labor; merchants and townspeople expand business activities and improve their property; States, cities, and towns proceed with needed public works.

Provisions Included in 1936-1939 Contract

The cotton-adjustment contract for 1936-1939, now under consideration by cotton growers, includes the following features:

1. A new, total base acreage of 44-1/2 million acres for the United States has been adopted. This base acreage will be allocated by the Division of Cotton among cotton-producing States in proportion to the 1935 base acreage of each State. Each State's quota will be allocated among counties within that State, except for 10 percent of the quota reserved to be used in adjusting quotas of counties and individual producers. Quotas for individual producers will be determined by producers and county committees upon a basis selected by the State Cotton Board from among five optional base period acreages listed by the Division of Cotton. These base periods are 1928-1932, inclusive, 1931-1933 inclusive, 1932-1934 inclusive, 1933-1935 inclusive, or 1935.

2. Minimum adjustment required in 1936, by contract signers, will be a reduction to 30 percent below the individual's base acreage. The producer will have the privilege of reducing to a maximum of 45 percent below his base. Adjustments for contract years after 1936 will be determined by the Secretary of Agriculture according to conditions indicated for the year.

3. One type of payment, made in one installment, is provided for. This payment, in 1936, will be at the rate of at least 5 cents per pound on the average production of cotton on the acres withdrawn from production under the contract. The rate of payment for succeeding years will be determined and announced by the Secretary of Agriculture each Fall in time to enable cotton farmers to decide whether they wish to continue their contracts.

4. The contract provides for a four-year program but permits the signer to terminate the contract at the end of any year, by giving notice to the Secretary of Agriculture not later than December 1 of that year. By giving notice to all

signers not later than November 15 of any year, the Secretary of Agriculture may suspend all contracts at the end of that year.

5. Each contract signer will be required to plant not less than 50 percent of his permitted acreage. This provision guarantees a stable and adequate production of cotton for domestic needs, and prevents a signer from continuing to draw cotton benefit payments after he has withdrawn from cotton farming.

6. "Adjusted" acres withheld from cotton production may be used to produce food, feed, soil-improving or erosion-preventing crops, in addition to the acreage of such crops normally devoted to such uses, on each farm. Acreage on a farm covered by a contract, planted to peanuts, rice, or tobacco to be produced for sale, may not be increased above the acreage of those crops grown on that farm in 1934 or 1935, whichever was larger.

7. When two or more persons are interested in a cotton crop the person who furnishes the land will receive 37.5 percent of the total benefit payment; the person who furnishes work stock and equipment will receive 12.5 percent of the payment; and the remaining 50 percent of the total payment will be divided among interested persons in the proportion in which they are to share in the cotton or in its proceeds. Thus the share-cropper who furnishes labor only, and is to receive one-half of the cotton, will also receive one-fourth of the total payment due on the land which he cultivates. In normal cases payment will be made directly to the persons entitled to share in the crop or its proceeds.

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